

VZCZCXYZ0009  
RR RUEHWEB

DE RUEHBU #1121/01 2821646  
ZNR UUUUU ZZH  
R 091646Z OCT 09  
FM AMEMBASSY BUENOS AIRES  
TO RUEHC/SECSTATE WASHDC 4467  
INFO RUEHWH/WESTERN HEMISPHERIC AFFAIRS DIPL POSTS  
RUEHSO/AMCONSUL SAO PAULO 3965  
RUEATRS/DEPT OF TREASURY WASHINGTON DC  
RUEAIIA/CIA WASHINGTON DC  
RUCPDOG/DEPT OF COMMERCE WASHINGTON DC  
RHEHAAA/NATIONAL SECURITY COUNCIL WASHINGTON DC

UNCLAS BUENOS AIRES 001121

SENSITIVE  
SIPDIS

E.O. 12958: N/A  
TAGS: [EAIR](#) [ECON](#) [EFIN](#) [EINV](#) [ELAB](#) [ETRD](#) [AR](#)  
SUBJECT: ARGENTINA ECONOMIC AND FINANCIAL REVIEW, OCTOBER  
2-8, 2009

¶1. (U) Provided below is Embassy Buenos Aires' Economic and Financial Review covering the period October 2-8, 2009. The unclassified email version of this report may include tables and charts tracking Argentine economic developments. Contact Econ OMS Megan Walton at WaltonM@state.gov to be included on the email distribution list. This document is sensitive but unclassified. It should not be disseminated outside of USG channels or in any public forum without the written concurrence of the originator. It should not be posted on the internet.

-----  
Nominal September Tax Collection up 9.8% y-o-y  
-----

¶2. (SBU) The GOA announced October 2 that September tax collection increased 9.8% y-o-y to ARP 26.2 billion. While this was in line with the BCRA consensus survey estimate of ARP 26.3 billion, the increase was negative in real terms after taking into account an annual inflation rate that most private analysts estimate in the range of 14-16%. In spite of the disappointing result, September's increase is more than twice the extremely poor August increase of 4.2% y-o-y. In a press release, the GOA touted the result, explaining that the strength of the domestic economy plus the measures enacted by the GOA to counter the impact of the international financial crisis have generated higher than expected tax revenues. The main drivers of September's collection were: social security administration revenues, VAT, and fuel taxes. Export tax revenues dropped 42% y-o-y due mainly to the fall of international commodity prices as well as a reduction in export volume. Year-to-date, tax collection increased 12% y-o-y to ARP 224 billion.

-----  
Discussions Regarding IMF Article IV Consultation  
-----

¶3. (U) Minister of Economy Amado Boudou met with senior IMF officials on the margins of the IMF/WB meetings. According to press reports, the GOA appeared to move closer to accepting an IMF Article IV consultation some time during the first quarter of 2010. However, in later press statements, the Minister indicated that such a potential IMF visit would not involve a discussion of policies, but would be strictly technical and low profile. Boudou is expected to meet the IMF Managing Director Dominique Strauss-Kahn again in early November to work out the details of the potential IMF visit.

-----  
U.S. Judge Rules in Favor of the GOA  
-----

14. (U) On September 30, U.S. District Court Judge Thomas Griesa of the Southern District of New York vacated previous orders that would have allowed NML Capital to attach assets of Argentina's state-owned Banco Nacion (BNA). NML is the New York-based affiliate of the Elliott Management investment partnership, which reportedly holds claims of about USD one billion worth of defaulted Argentine debt and did not participate in the 2005 debt restructuring. In his ruling, Griesa upheld the GOA's argument that BNA is not a proxy for the GOA.

-----  
August Wage Index Increases 1.48% m-o-m  
-----

15. (U) The National Bureau of Statistics (INDEC) announced October 1 that the wage index increased 1.48% m-o-m in August, slightly below expectations of 1.70% (measured by the BCRA survey). This index defines wages as a price, without considering hours worked or special payments for productivity gains. It surveys the private and public sectors, where salaries rose 1.69% and 1.15%, respectively. The wage index increased a cumulative 11% in the first eight months of the year. The BCRA consensus survey forecasts a 15% increase in the wage index for 2009 and 13% for 2010. Local media reported that salary negotiation agreements increased 18% on average so far in 2009, slightly less than the average wage negotiation increase of 19.5% agreed to in 2008.

-----  
Government Confidence Index Up 10% m-o-m but Down for Year  
-----

16. (U) The Government Confidence Index increased 10% m-o-m in September to 1.22 points; however, it is 1.26 points below the average during the Nestor Kirchner administration and 0.69 points below the average of the series (which dates back to the beginning of 2002). Ratings on the honesty of GOA officials increased 15% m-o-m and remained the factor generating the highest level of confidence, followed by the GOA's ability to solve citizens' problems, which increased 6% m-o-m. Opinion with regard to the efficiency of public spending and the GOA's general performance were the factors generating the lowest confidence levels in September. The index decreased 15% y-o-y and has decreased an accumulated 11% since the beginning of the year. (Note: The Government Confidence Index is a survey-based index prepared by Di Tella University. It goes from zero to five points and seeks to measure public opinion of the GOA's general performance, efficiency of public spending, honesty of GOA officials, and the government's ability to solve problems. End Note).

MARTINEZ